

I. INTRODUCTION

A. Background. The Resource Justification Model (RJM) is a budget formulation and allocation system that will allow state agencies to request the administrative resources they need to operate their respective Unemployment Insurance (UI) programs. The RJM software will assist states in compiling information needed as input for the model. The system will also provide the National and Regional Offices a compatible automated process to review and analyze the states' information in order to formulate the annual budget request. Finally, the RJM will provide the National Office with a rational capability to allocate the funds appropriated by Congress.

States will play an integral role in submitting annual budget justifications for their projected operating costs. These submissions will be collected in a relational database to enable Regional Office review through comparative analysis, final National Office review, and report generation to produce UI program budget requests. RJM also has analytical procedures to allocate appropriated funds, using pre-determined decision rules that are applied to the data. Like the current system, RJM is workload-based, but with a capacity for annual updates of each state's data and review by the National and Regional Offices.

The objective of RJM was to develop a system that would: determine resource needs for budget requests and have credibility with all stakeholders; reflect all required activities; ensure service with acceptable quality; allow for use of technology and technological change; address capital investment needs; and tie budget formulation with allocation.

B. Concept. Each state will submit sufficiently detailed data, which may be subject to audit, in a structured format to develop a credible budget. States will use their accounting data to insert information into RJM worksheets that will cumulate the information to build the budget request. The RJM has separate worksheets for each workload function for claims and employer activities, and each non-workload function (e.g., Benefit Payment Control, UI PERFORMS, and Support). For each of these activities, the RJM will calculate the number of staff years needed and the cost per staff year, which includes personal services (PS) and personnel benefits (PB). This cost will be multiplied by the staff years from appropriate workload and non-workload categories and summed over categories to arrive at total personnel compensation costs.

The RJM also addresses non-personal services (NPS) by including forms to display recent requirements and to request and justify enhancements. The NPS categories are communications, facilities, computer services, travel, non-ADP (automated data processing) office equipment, supplies, state indirect costs, and miscellaneous.

Each year, states will enter four years worth of information on the RJM worksheets: the previous year, the current year, the next year (the year following the current year) and the request year (the year for which the budget is being developed). This is necessary to show the resource path leading up to the year for which the budget is being developed.

States will submit their data in mid-February for the fiscal year to begin 20 months later to allow for inclusion in the federal budget formulation process. The states' submissions will also be used as input for the planning targets based on the President's budget request and the final allocations after Congress appropriates funds.

C. Guiding Principles. The following principles will help ensure consistency of the data.

1. Include only those costs allowable under OMB Circular A-87.
2. Include only expenditures associated with the operation of the regular UI program for 12-month periods ending September 30th. Include expenditures for UI PERFORMS and exclude expenditures for SAVE, TRA, and NAFTA. Include those costs that are being funded by state funds that would have been appropriately charged to the UI program if sufficient federal dollars had been available.
3. Include items reportable on a W-2, except educational grants and meal allowances, under **PERSONAL SERVICES**.
4. Include educational grants and meal allowances reported on a W-2 under **PERSONAL SERVICE CONTRACTS** and **TRAVEL**, respectively.
5. Include costs reportable on a SF 1099 under an **NPS** category.
6. Provide supporting documentation for requests for **PS\PB** increases.
7. Provide supporting documentation for any NPS category that exceeds the allowable confidence interval determined by DOL.
8. If the state's functional activity codes differ from the RJM categories, include those costs in the RJM category in accordance with the definitions.
9. If an item is purchased for a primary purpose and has other applications, include it in the RJM category for the primary purpose.
10. If an item can be classified in more than one NPS category, include it in the first category according to the order specified by the definitions.
11. Include charges from other state agencies due to a request for service under **PERSONAL SERVICE CONTRACTS**.
12. Include purchases made from other state agencies under the appropriate NPS category.
13. State Indirect costs are those charges that all programs receive from outside the agency. This principle applies when there are multiple layers of State Indirect costs.

14. If more than one item is being combined in an agency's accounting system (either by category or minor object code) and they should be split between two or more RJM categories, make the best estimate as to how to split those costs.

15. When costs are split, the sum of the parts must equal the whole.

16. If multiple taxes are collected, reduce costs in accordance with General Administration Letter 4-91, prior to entering the RJM data. Attach a table that shows the reductions.

17. Convert costs for personal service contracts used to provide workload-related staff functions to MPU values and add them to the appropriate functional activity code. Convert costs for personal service contracts for non-workload staff functions to staff years and add them to the appropriate functional activity code.

18. Exclude from Performance and Capital Investment (PCI) requests the amount of state agency funding that has historically been used for that activity.

19. Include ICON programmers and Internal Security under Support.

20. Exclude staff years and dollars earned for multi-claimant nonmonetary determinations and appeals. These are funded from above-base dollars.

21. The deciding factor for whether a project should be included in the RJM as a PCI request or in base is the level of the state's commitment to fund the project. If the state intends to proceed with the project irrespective of federal funding, the project should be included in base and should not be submitted as a PCI request.

D. Modules. The RJM system has six process modules:

- Module I Data Collection
- Module II Data Review
- Module III Analysis and Evaluation
- Module IV Budget Formulation
- Module V Allocation
- Module VI Monitoring

1. Module I - Data Collection. The states will prepare the request for resources using their current operating costs and project these costs for the balance of the current year, as well as the next two fiscal years. These projections will be based on known operating costs, projected workload, and any known increases such as legislated compensation increases. States may also request additional funding for enhancements. Module I consists of three major tasks:

- a. Prepare the PCI requests for additional dollars to improve program operation.

b. Enter data into the RJM Microsoft Excel® worksheets that determine the amount of dollars required to operate the UI program. The worksheets provide a standard format for the submission of data. The worksheets are designed to calculate the total state needs based on the entry of specific data.

c. Compile the notebook that includes the narrative description of the budget request and the conversion of accounting data, and copies of the accounting documents that were used to prepare the request.

2. Module II - Data Review. The National and Regional Offices will conduct a detailed review of states' requests for resources. The data from all states' submissions will be imported into a relational database maintained by the National Office. The Regional Offices will ensure that submitted data is accurate through comparisons with cost accounting data and that states' submissions are treated equitably. They will be responsible for determining if a state has a unique requirement that should be given special consideration and for entering that data into the RJM model. Regional Offices will also be responsible for ensuring the accuracy of requests for increases.

3. Module III - Analysis and Evaluation. The National Office will analyze the RJM data to determine the acceptable norms for the formulation process and decide which requests for special requirements and enhancements to incorporate into the budget request. The RJM uses Brio® queries and report generating capabilities to provide reports in the required budget submission format. In addition to the required reports, a set of detailed reports will be produced showing the requested funding for each state.

4. Module IV - Budget Formulation. Output from the three previous modules will be used to formulate a budget request. The National Office can adjust variable parameters as a method of review and analysis to build the reports. The relational database provides flexibility and quick turn-around for analysis and evaluation.

5. Module V – Allocation. To distribute the available funds, the National Office will use an appropriately modified version of the Workload Allocation System (WAS), which came into use with the Cost Model system. If state requests exceed the funding availability, the National Office will first reduce PCI requests according to their scores; if state requests still exceed the funding availability, the National Office will use the current MPU reduction algorithm in WAS to reduce staff years.

6. Module VI - Monitoring. Monitoring is a National Office-directed continuing review process focused on data integrity. The analysis and evaluation resulting from Module III of the RJM will provide indicators of areas that are a priority for external review.